

IT & PAYMENT BANKS – A STUDY



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Abstract

Use of modern, state of the art technology in Payment Banks is being increasingly seen as an essential ingredient not only for good customer service, but also for good housekeeping. The good old manual & Traditional systems on which the Indian banking industry has depended upon for centuries are perhaps unable to deliver the goods any more. 1050 crore retail digital payment transactions worth Rs.51 lakh crore processed in January 2023. Finally, Due to IT, the stretch of the Payment banks easily extends to the whole banking and general population with whom it can market itself. Hence, the need for Payment Banks becomes more significant in this contemporary world.



Keywords: Information Technology, Payment Banks, banking, IT Applications

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1. Introduction

The Law of the business is something we call as a transfiguration. Indeed, It's true that the dynamics of the business is fast changing. Now, the question is How & Why ? The plain answer to this question is Information Communication Technology !!!!!!!!, if one looks back, just 3.5 decades ago, the things were just pretty simple.....with No Internet, No Technicalities, No Mobiles, No 2G or 4G & the word Information Technology (IT) was too gloomy and payments used to be physical.

In fact, internet was launched way back in 1960 in California, USA & Back home in India, Internet was launched in early 1990s & that period was the period of game Changer with the first internet café in Bombay (Now, Mumbai) and even mobile phones were launched during the same time.

Long back, the then CEO of General Electric (GE) Mr. Jack Welch was dazed to note that most of his friends and colleagues were much relying on online transactions during specific occasions like Christmas & New year, He opined that the people throughout the world should strive to know the art of taking business online. He then, without wasting much time, immediately, set up a website (gefinancial.net) and started offering all services under one roof.

Now, It has become a norm, for those who want to buy a pencil worth Rs.5 or a car worth Rs.5L, payments are made online. The present paper is an attempt to examine the role and feel good factor of IT & Payment Banks in India.

Review of Literature

These payment Banks were setup based on the recommendations of Nachiket Mor Committee. Gradually the transfiguration can be seen from physical to online payments. Payment banks are registered under the companies Act 2013 and governed by BR Act 1949 (Banking Regulation Act), RBI Act 1934 (Reserve Bank Of India), FEM Act 1999 (Foreign Exchange Management), PSS Act 2007 (Payment and Settlement Systems). There is no exaggeration to say that both IT & Payment Banks move in tandem and are the 2 sides of the same coin.

Anil Khandelwal, (2005) Chairman and Managing Director, Bank of Baroda, says, “using technology, banks are able to provide customers new options and choices that make it easier and more convenient for them to do business anytime and anywhere. It helps banks to expand their customer base too”. Simply put, the package delivers uniform, portal-based IT infrastructure, which allows for smooth functioning and delivery of products like ATM and Internet Banking. Also known as Core Banking Solutions, it allows for networking of a bank's branches across the world and more importantly transforms them into sales

points rather than just transaction dispensers. Most banks have tied up with IT Companies like Tata Consultancy Services, Infosys and I-flex, to deliver tech solutions.

According to Dr. C. Rangarajan (1988), the banking industry is in the process of a ‘breath-taking transformation following economic reforms, liberalization and globalization, expanding its size, reach, functions, portfolio, and products and services. Today, it is quite competitive. To these are added the technological changes, thus making the banking transformation a double transformation. This change is well described by the distinguished IT and banking expert Dr.YV Reddy, in the following words, quite admirably.

According to Dr. YV Reddy (2003) “The new technology has radically altered the traditional ways of doing banking business. To understand this paradigm shift, one has to look at the banking scenario in developed economies. Increasingly, the customers in retail sector are doing business with their banks from the comfortable confines of their homes or offices.

Customers can view the accounts, get account statements, transfer funds, purchases drafts by just making a few key punches. Availability of ATMs and plastic cards to large extent avoid customers going to branch premises for cash. Cards with embedded micro-processor chips, also called smart cards, are adding a new dimension to this scenario. A further innovation on this is the introduction of cyber cash and e-cash. According to Electronic Data Interchange (EDI) is another development that has made its impact felt in the banking industry.

Thus, Dr. C. Rangarajan (2000) well brings out the great facilities of IT in the banking sector, as a win-win technology. In effect, in banking industry, technology is finding its use in five key areas, convenience in product delivery and access, managing productivity and performance, product design, adopting to, market and customer needs and access to customer market. For the banking sector in India, these development are of real interest”.

RBI Governor Shakti Kanta Das (2023) is also of the view that technology is playing a significant role in payment Banks as well, furthermore, he informed that 1050 crore retail digital payment transactions worth Rs.51 lakh crore processed in January 2023.

Information Technology

Information Technology (IT) is the technology sweeping the world, and is said to be benefiting each and every sector of human activity including banking. The new technology has radically altered the traditional ways of doing banking business. The banking sector in India adopted the use of computers only in the early 1980's. However it was only by the end of that decade that the adoption to computerization started growing and many

branches have begun using computers in view of the ongoing developmental process in the economy.

About roughly 7 decades of public sector banking (Starting with the nationalization of the Imperial Bank of India in 1955) has widened the banks' branch network and customer base to such gigantic proportions that the time tested manual systems of yesteryears are now buckling under the pressure of sheer volume and variety of transactions. Hence, this repeated outcry for the use of modern technology is seen as panacea for most of the ills that afflict the banking sector today. Payment Banks has emerged as a powerful tool in payment systems in India.

Globally, banking is driven by IT. Application of IT enables a bank to make the dream of customers – anywhere, anytime banking a reality. Thus, Payment Banks are playing a very significant role in Payment system.

To attract and retain customers, banks have started exploring & Offering innovative products and services through a variety of delivery systems, and in the ongoing process one of the important tool for payments is Payment Banks. Few of the prominent players in Payment Banks are PayTM, GPay, Phone Pe, Jio, Airtel, India Post etc.

Already, Information Technology (IT) is found to have its application in the following fields and is ready to spread its wing to other sectors and confer its benefits, as NGOs, all-women SGHs, education, law, printing, tourism, medicine surgery, matrimony, and others. In banking, it is for Core Banking Solutions.

1. Manufacturing & Engineering Industry
2. Medical & health Care
3. Defense Services
4. Security Services
5. Government & Social Services
6. Education, Training & Research
7. Management of Organizations
8. Financial Services
9. Economy & Individuals

It is indeed a wide field of application of Information Technology, which is a hybrid technology of computers and telecommunications, so a powerful product as any hybrid product, such as the hybrid seed of rice, wheat, etc., which are believed to have ushered in the Green Revolution in the country in the 1970s and thus freed the country from food shortages and the pangs of hunger, and the technology, say, bridging the gap between the lab and the field forever may usher in a permanent agricultural revolution, as a for-ever revolutionary technology. Its application extend to the whole field of human activity. It has knit the world together, and has opened up world-wide means of communication and interaction and trade and businesses, e-businesses and online payments, etc.

Technology has emerged as a catalyst and a driving force in enhancing the quality of service to the customers and also improving business performance thereby giving a competitive edge to a bank over others. Physical debit or credit payment cards are regular plastic cards issued by banks to their customers to manage their company or personal spending. Online payments refer to the electronic exchange of currency through the internet. These payments usually consist of the transfer of monetary funds from a customer's bank or debit or credit card account, into the seller's bank account, in exchange for products or services. Now, it is the time for Payment Banks, Payment banks are here to stay and most probably credit and debit card payments in near future may become outdated.

Payment Banks

India presently has few payment banks which are rendering exceptional services, these include Phone Pay, Google Pay, Pay TM , Airtel payment bank, India Post Payment Bank, Fino, NSDL Payment Bank and Jio Payment Bank. The main objective of these payment banks are to provide banking services to the masses, thus taking banking services to unbanked and under banked areas and helping all class of people alike.

Table -1
BHIM Aadhaar Pay Acquirer & Issuer

S.No	Payment Bank	BHIM Aadhaar Pay – Acquirer	BHIM Aadhaar Pay – Issuer
1	Fino Payments Bank	Yes	Yes
2	Airtel Payment Bank	Yes	Yes
3	Jio	Yes	Yes
4	GPay	Yes	Yes
5	PhonePe	Yes	Yes
6	PayTM	Yes	Yes

Source – NPCI (National Payments Corporation of India)

A payment bank operates on a smaller scale without involving any credit risk. It is a new model of banking in India.

While most of the people think of acquiring banks and issuing banks are to be the same but there is a small distinction among the two. The terms 'acquirer' and 'issuer' do not only refer to the

involved banks but are indicative of their role in the payment process. An acquiring bank lies on the merchant end of the transaction, while the issuing bank is at the consumer's side. The issuing bank serves as a middleman between the card network/acquirer and cardholders. In some cases, banks can operate as both issuers and acquirers.

BHIM Aadhaar is the common mobile app published and managed by National Payments Corporation of India (NPCI) for any merchant associated with any acquiring bank on BHIM Aadhaar Pay service to allow the merchant to accept payment from a customer of any bank by authenticating the customer's biometrics (currently only fingerprints) directly from customer's bank account and receive the sale proceeds instantaneously into merchant's own bank account. Merchant must have an Android mobile with the BHIM Aadhaar app and a certified biometric

scanner attached with the mobile phone on the USB port and both the merchant and customer should have had linked their Aadhaar numbers to their bank accounts respectively.

Key Highlights of Payment Banks

- It needs to have a minimum paid-up capital of Rs. 100, 00, 00, 000.
- Payment banks can accept deposits up to Rs.200000.
- Payment banks cannot issue credit cards
- Access to diversified services
- It cannot accept NRI deposits
- Focus on Financial Inclusion
- Convenience in payments
- Can issue debit cards
- It cannot issue loans

Table -2
Payment Banks in India: Status Check

Payment Banks	Debut	Operational	1050 crore retail digital payment transactions worth Rs.51 lakh crore processed in January 2023
GPay	2013	Yes	
PhonePe	2015	Yes	
PayTM	2017	Yes	
Fino	2017	Yes	
Airtel	2017	Yes	
India Post	2018	Yes	
Jio	2018	Yes	

Source : Mint 2023

RBI governor told that about one thousand fifty crore (1050) retail digital payment transactions ranging Rs.51 lakh crore processed in January 2023, He also highlighted that UPI (Unified Payments Interface) has revolutionized the payment ecosystem with eight hundred and three

crore (803) transactions to the tune of Rs.13 lakh crore were processed in January 2023.

For statistical analysis, the study is carried out with 360 customers and 4 payment Banks, selecting 120 customers from both GPay & PhonePe and 60 each from PayTM & Jio. Chi-Square test is applied for statistical analysis. The tool used for collecting sample is simple Random.

Table 3
Customers with Phobic attitude of IT in Payment Banks

No	Feel	GPay	%	PhonePe	%	PayTM	%	Jio	%	Total	%
1	2	3	4	5	6	7	8	9	10	11	12
1.	None(0)	-	-	-	-	1	1.67	-	-	1	0.28
2.	Not So Good	12	10.00	9	7.5	4	6.67	2	3.33	27	7.50

Source : Sample Customer Survey Data

Table 4
Feel Good Factor of customers with IT in Payment Banks

No	Feel	GPay	%	PhonePe	%	PayTM	%	Jio	%	Total	%
1	2	3	4	5	6	7	8	9	10	11	12
1	Good	45	37.50	57	47.50	46	76.67	44	73.33	192	53.33
2	Very Good	63	52.50	54	45.00	9	15.00	14	23.33	140	38.89
Total		120	100.00	120	100.00	60	100.0	60	100.00	360	100.0

Source : Sample Customer Survey Data

Hence, Payment Banks are seen as very good factors in banking by the customers. They appear to cut down their bank visits and visit and wait time in the banks. There is a gap between the adoption of IT and its optimum utilization among the respondents, in which 92.22% (53.33+38.89) are inclined towards IT and payment bank services

(Table 4). Vide rows 1 and 2 and columns 3- 12 (Table 3), hardly 28 (1+27) of the sample customers of 360, coming to some 7.78% (0.28+7.50), that the customers very much not desire IT and its applications due to phobic attitude, can be seen in Table No.3. There is a need to bridge up this gap.

Table 5
Opinion about feel Good Factor in sample Payment Banks

Opinion	GPay	PhonePe	PayTM	Jio	Total
Good	45	57	46	44	192
Very Good	63	54	9	14	140
Total	108	111	55	58	332

O	e	o-e	(o-e) ²	(o-e) ² /e
45	62	-17	289	4.66129
57	64	-7	49	0.765625
46	32	14	196	6.125
44	34	10	100	2.941176
63	46	17	289	6.282609
54	47	7	49	1.042553
9	23	-14	196	8.521739
14	24	-10	100	4.166667
332	332			34.50666

X² is 34.50666 □□□□□□□□□□□□□□3 Dof { (r-1) (C-1) = (4-1)(2-1) = 3 } @ 5% level of significance

Null Hypotheses (Ho): There is no association of feel good factor among customers with IT in payment Banks.

(H1): There is an association between the feel good factors among customer with IT in Payment banks.

Result : The calculated value of Chi (X²) is 34.50666 whereas the tabulated value is 7.815. Since the calculated value of X² is more than tabulated value at 5% significance level with 3 Dof the null hypotheses is Rejected. Payment Banks in other words, are perceived to be a good to a very good factor by the customers. Therefore, we can derive that there is an association of feel good factor among customers with IT in payment Banks.

From this it can be discerned that the customers are greatly for computer and IT application and services in the payment banking sector and the payment bank staff should also be equally enthusiastic in their services and relationship with the customers.

Finally, Due to IT, the stretch of the Payment banks easily extends to the whole banking and general

population with whom it can market itself. Only, the payment banks have to rise to the level of IT.

Major Findings

There is a gap between the adoption of IT and its utilization among customers. 92.22% of customers are inclined towards IT and its applications. Very few customers i.e. about 7.78% (Minuscule) show phobic attitude & don't desire IT and its application. Overall, there is a feel good factor of customers synchronizing with IT & its applications.

Suggestions

- Payment banks have to rise to the level of IT. There is a need to adopt the latest technology to provide better customer services and also to compete with their rivals.
- Payment Bank's staff should maintain healthy relationship with customers. Maintaining healthy relationship with the

customers is very important in this contemporary world.

- Payment Banks are considered as the safest and most convenient mode of payment system in India. Therefore, RBI should play a significant role in promoting Payment Banks.

2. Conclusion

Finally, payment banks are here to stay and serve the masses. People are also inclined towards this type of payment system as it is considered as the safest and most convenient mode of payment system in India. Payment bank services and customer relationship should rise to the level of capability of IT. The technology opens up a window of opportunity for services and customer relationship which needs to be fully utilized.

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